



Foreign Agricultural Service

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## Uzbekistan

## Exporter Guide

## Annual

## 2002

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### Report Highlights:

The Uzbekistan's market for food and agricultural products remains difficult to penetrate. The market liberalization for imported food and beverages is carried out very slowly, with tariffs ranging from 0-30%. New modern retail outlets, which are good venues for imported products, are still small in number, due to certain economic problems, in particular, currency convertibility problems.

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Includes PSD changes: No  
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## **SECTION I. MARKET OVERVIEW**

Uzbekistan, with a population of 25.2 million people, is the most populous country in Central Asia. Despite gradual reforms it is still in transition to become a free market economy. It is a country of striking contrasts and cultural diversity. With an area of total 447,400 sq km, it is slightly larger than California. Uzbekistan is comprised of 12 regions and 1 autonomous republic which differ vastly in resources and living standards. More than 60 percent of Uzbekistan's population lives in densely populated rural communities, the rest live in towns and cities. Religion (Muslim 88 percent, Eastern Orthodox 9 percent, other 3 percent) has a certain influence upon eating habits.

Uzbekistan is a dry, doubly landlocked country of which 10 percent consists of intensely cultivated, irrigated river valleys. Nowadays Uzbekistan is the world's third largest cotton exporter, a large producer of gold and oil, and a regionally significant producer of chemicals and machinery. Following independence in September 1991, the government sought to prop up its economy with subsidies and tight controls on production and prices. The state continues to be a dominating influence in the economy and has so far failed to bring about much-needed structural changes. Uzbekistan has responded to the negative external conditions in the past years generated by the Asian and Russian financial crises by tightening export and currency controls within its already largely closed economy. Economic policies that have repelled foreign investment are a major factor in the economy's stagnation. A growing debt burden, persistent inflation, and a poor business climate led to stagnant growth in 2001, with little improvement predicted for 2002.

The Uzbekistan food and beverage market is not too sophisticated, although supplied by both local and imported products. Some slight economic growth since independence did not effect considerably consumer purchases and consumption patterns. Although, little by little consumers get used to some imported food products as not being able to purchase some locally produced foodstuff in the stores.

However, with uncertainties surrounding the country's economic situation, there are limited number of active consumers who readily spend at this point. Retailers believe that imported products will be momentarily affected with changes in consumers' purchasing habits due to uncertainties in the economy.

## Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Established U.S. brands can have good market response	Domestic production of franchises like Nestle, Coca-Cola command strong positions in market.
One-third of the population is below 15 years of age.	Exporters need to support market promotion campaigns to attract teenagers for U.S. snack foods and other products.
Import of food products and beverages is being liberalized by lowering import tariff currently levied between 0-30%.	The problem of currency convertibility to repay exporters has obstructed growth in trade to benefit from reductions in import tariff.
New chains of retail outlets are opening and they have interest in new imported products.	Market promotions activities are indispensable for introduction and market development.
A wide variety of foreign products already "fit" into local food culture, e.g., infant formula, soft drinks and ice-cream.	US products face strong price competition from Europe, Russia and Turkey

## SECTION II. EXPORTER BUSINESS TIPS

### Business Customs

Local well-known big and medium-size companies are accustomed to doing business with foreigners and try to readily accommodate foreign business manners. Younger businessmen are prepared to start new business relationships with foreign companies, but mostly need the advantage of a personal meeting, because not all businessmen prefer to communicate with foreign suppliers electronically.

Prior to initiating any export sales to Uzbekistan, it would be advantageous to conduct a market survey with particular reference to the competitive environment. It is common for foreign exporters to appoint a local sales agent / importer to distribute their goods, expedite clearance of goods from ports and draw on existing networks of wholesalers and retailers. Regular visits by U.S. exporters to the market are also critical to enhance business relationships.

### General Consumer Tastes and Preferences

Uzbekistan is a multinational society consisting of different races. The Muslims (mostly Sunnis) account for 88 %, Eastern Orthodox 9 %, others 3 % of the population. Lunch and dinner meals consist mainly of different soups mostly with lamb. Rice is one of the most important food items used to prepare the favorite Uzbek dish to the styles and tradition of various regions. Religious affiliation somewhat affects food consumption in Uzbekistan. Muslims do not eat pork, and only eat lamb and

beef.

### **Food Standards and Regulations**

Uzbekistan's health and food labeling requirements specify that imported and domestically produced processed food items must be clearly labeled and must contain the following information:

- An appropriate description of the product;
- A list of ingredients in descending order of proportion by weight;
- A statement as to the presence of such animal products (beef, pork, lard, gelatins, etc.,) If the item contains any animal product
- The minimum net weight of the product; in the case of a product packed in liquid, the minimum drained weight of the food;
- The name and address of the manufacturer;
- The name and address of the importer (this can be affixed at the time of import);
- A statement of shelf life or expiry dates.

### **General Import and Inspection Procedures**

All food consignments are subject to random checking and sampling at entry points all over the country to ensure food items imported into the country are safe and comply with the prescribed standards and regulations. However, Uzbekistan continues to use an arbitrary set of technical standards based on outdated Soviet methods. Despite regulations to the contrary, customs routinely reject foreign certifications of conformity to these standards. Perishable are subject to burdensome phytosanitary tests, making it difficult sometimes, for example, for restaurants and hotels to make use of imported foodstuffs.

## **SECTION III. MARKET SECTOR STRUCTURE AND TRENDS**

### **Consumer-oriented Foods and Beverages & Edible Fishery Products**

In 2001, the total import of consumer-oriented products to Uzbekistan is estimated at US\$200 million, of which U.S. products are estimated at only US\$200,000, one-tenth of one percent.

Russia and EU are the major competitors for these products. Temperate consumer-oriented foods from these countries were able to garner top placings due to competitive prices, lower freight costs and shorter shipping times.

Uzbekistan is a big producer of fresh fruits and vegetables, and practically it does not import fresh fruits and vegetables, except tropical fruits such as oranges and banana. Some imported processed foods such as canned fruits and fruit juices are easily available in supermarkets and other small retail food stores.

Although, Uzbekistan produces meat/meat products and poultry, it's not yet completely self-sufficient in these products. Especially it refers to poultry and poultry products. The whole chicken and chicken parts (chicken quarter legs) are imported periodically to meet the demand from the local processing industry and consumers. Major suppliers of chicken and chicken parts are EU, Turkey and partially USA, although there are no direct imports from USA, but mainly through Russia and Kazakstan.

Uzbekistan produces some volumes of fresh river fish. Still, Uzbekistan is a net importer of seafood products, mainly canned fish products from Russia, Baltic republics and partially EU.

### **Distribution for consumer-ready food products**

A few big State Joint-Stock companies as well as some private companies are the major entities in the food distribution system. Food importers and commissioned agents place orders with foreign suppliers and distribute to supermarkets/grocery stores and hotels in the cities and to small retail food stores in the rural areas. Some of the larger supermarkets sometimes import directly from overseas.

As Uzbekistan is a double landlocked country, some imported products from the United States are shipped to the Black Sea or Baltic Sea ports, and then transported to Uzbekistan by railway.

Uzbekistan has only one international Tashkent airport, which is the biggest and modern airport in the Central Asian region. The others, while some of them can serve international markets, are actually quite small. Uzbekistan's highway together with the railway network are the backbone of the country's transport system as almost 80% of passenger and cargo movements are by roads and railroads. However, most of the roads are not of good quality, and products cannot always move efficiently between cities and rural areas. Therefore, the road system is complemented by railway lines which connect the north, south, west and east of the country. Much of the product moves throughout the country, however, in non-refrigerated trucks.

### **Food Retail Sector**

Modern retail stores such as supermarkets and mini markets command around 7-8 % of the total retail sales. These stores are mainly located in the major urban centres and are slowly growing in numbers. Only inconsiderable number of Uzbekistanis are shopping at these stores, particularly the affluent middle to upper income group of consumers, because these relatively large retail stores offer a wide range of more or less expensive food and beverage products. Their products are high quality, branded goods sourced from both local and overseas suppliers.

These modern retail stores are also introducing new and additional services within their stores such as in-store bakeries, café/food service areas and prepared meals to attract more customers to their stores. Trade sources comment that, as a result of this growing trend in shopping at supermarkets and mini markets, more such modern retail stores are expected to open in future in Uzbekistan, provided the economic situation stabilizes.

The majority of foreign visitors and Western diplomats shop at supermarkets. Foreigners generally buy

imported products and only choose local alternatives if imports are not available. In contrast, local customers prefer to buy most foodstuff in big farmers markets (bazars) and in different kind of food stores.

**Table: Major Supermarkets and Minimarkets**

Retailer Name and Outlet Type	Ownership	No. of Outlets	Location	Purchasing Agent Type
'MIR' Supermarket	Demir Ltd, Turkey	2	Tashkent City	Direct, Agents
'ARDUS', Supermarket	Uzbek-Dutch-German JV,	3	Tashkent City	Direct, Importer, distributor
'ISTIKLOL' Supermarket	Uzbek-German JV	1	Tashkent City	Direct, Importer,
'BESH-YOGOCH', minimarket	'Besh-Yogoch' Private Firm Uzbekistan	15	Nationwide	Direct, Importer, distributor
'ITALFOOD', Supermarket	'Sovplasital' Uzbek-Italian JV	1	Tashkent City	Importers,
'HOLLAND-MARKET' Supermarket	Uzbek-Dutch JV 'Martens Trading'	1	Tashkent City	Importers, distributors.

Besides the few major supermarkets, Uzbekistan's traditional stores include provision shops, grocery shops, farmers markets, commercial food stores and other similar retail outlets which sell a limited range of food and beverage products on a small scale. They generally sell local as well as imported products, depending on the target customers and the location of the store.

These types of traditional retail outlets are commonly found throughout Uzbekistan, in both urban and rural areas. The majority of Uzbekistani consumers purchase their food and beverage products from such traditional stores. The customers range from low income to high income groups who generally buy small quantities of food and beverage products at each visit. They visit these stores on a very regular basis each week.

### **Food Service Sector**

The food service sector in Uzbekistan is highly fragmented with a large number of small to medium sized players in the market. Reportedly, over 60% of the food service establishments are made up of small family-owned businesses or individual proprietors. Uzbekistan has a long Asian tradition of eating. Demand for instant and more sophisticated convenience foods is on the slow rise, mainly in big cities.

Besides the usual family-owned and private street cafes located in residential and urban areas, Western

type fast food cafes (Burger, Pizza, etc.) are located strategically in large shopping areas and the city centres. Competition among these quick service restaurants (QSRs) is not yet so intense like in the western countries, because the number of these QSR are still relatively small.

### Food Processing Sector

Uzbekistan has a sizeable food manufacturing industry. Trade sources estimate the industry's total output in excess of US\$ 250 million. In 2001, the industry exported around US\$120 million of processed products. The Table below shows the production of major manufactured food products in Uzbekistan.

**Table: Production of Major Manufactured Food and Beverage Products (Tonnes/Litres)**

Products	1998	1999	2000	2001
Milk and milk products (tonn)	183,400	187,400	162,040	164,873
Meat and meat products (tonn)	126,100	124,500	120,315	119,540
Canned vegetables/fruits (th. jars)	420,200	438,100	407,600	421,200
Vegetable oil (tonn)	201,200	195,900	211,600	204,700
Wine (mln decalitres)	6.1	6.3	5.8	6.6
Alcoholic drinks (mln decalitres)	10.8	11	10.9	10.9
Bread products and pasta (tonn)	834,300	822,200	909,911	905,822

Note: \$ value of production was not published.

Source: Ministry of Macroeconomics and Statistics

Reportedly, in 2001 investments in food manufacturing have increased slightly comparing to 2000, and equalled roughly to US\$200 million. Domestic investments in the food and beverage sector are also growing although slowly.

Major processed food items for exports included canned vegetables and fruits; fruit juices; tomato paste, etc.

Most observers believe, that further liberalization of foreign trade, resolving local currency convertibility issues will definitely facilitate the expansion of the domestic food processing sector attracting more foreign investments, and consequently, it should create better market opportunities also for U.S. food products.



## **SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS**

- Snack Foods
- Milk products
- Tree nuts: almonds and pistachios
- Processed meat and poultry products
- Seafood
- Miscellaneous food preparations
- Chocolates
- Vegetable oil

## **SECTION V. KEY CONTACTS AND FURTHER INFORMATION**

If you have any questions or comments regarding this report or need assistance exporting high value products to Uzbekistan, please contact the Office of Agricultural Affairs at the U.S. Embassy in Tashkent at the following address:

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For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service homepage: <http://www.fas.usda.gov>.

### **Uzbekistan's Regulatory Agencies / Other Trade Contacts**

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## A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (US\$Mil) / U.S. Market Share (%)	237.5 / 15%
Consumer Food Imports From All Countries (US\$Mil) / U.S. Market Share (%)	200 / 0.1%
Edible Fishery Imports From All Countries (US\$Mil) / U.S. Market Share (%)	0.5 / 0%
Total Population (Millions) / Annual Growth Rate (%)	25.2/ 1.6%
Urban Population (Millions) / Annual Growth Rate (%)	9.3 / 1.8%
Size of Middle Class (Millions) / Growth Rate (%) (estimate)	0.4 / 0.1%
Per Capita Gross Domestic Product (US Dollars)	2400
Unemployment Rate (%)	10.0%
Per Capita Food Expenditures (U.S. Dollars)	200
Percent of Female Population Employed	40.2%
Official exchange rate (US\$1 = X.X local currency)	US\$=692UZS
Black market rate (US\$1 = X.X local currency)	US\$=1500UZS